

A low-angle photograph of a skyscraper with a grid of windows. An American flag is flying from a pole in the foreground, partially obscuring the building. The sky is bright and clear.

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

CAPITAL PRESERVATION • DISCIPLINED INVESTING

FINANCIAL STATEMENTS

THIRD QUARTER 2019
SEPTEMBER 30, 2019

Condensed Consolidated Interim Financial Statements of

**FIRM CAPITAL AMERICAN REALTY PARTNERS
CORP.**

For the Three and Nine Months Ended September 30, 2019 and 2018

(Expressed In US Dollars)

(Unaudited)

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Condensed Consolidated Interim Balance Sheets

(Expressed in US Dollars)

(Unaudited)

	September 30, 2019	December 31, 2018
Assets	\$	\$
Current assets		
Cash and cash equivalents	9,995,661	2,374,340
Restricted cash	929,184	631,266
Accounts receivable	218,952	159,387
Prepaid expenses and other assets	303,651	475,737
Assets held for sale (note 18)	305,272	3,085,841
Total current assets	11,752,720	6,726,571
Non-current assets		
Investment properties (note 4)	47,323,430	44,783,595
Equity Accounted and Preferred Investments (note 5)	35,353,452	28,698,180
Preferred capital investments (note 6)	2,207,496	2,000,354
Total non-current assets	84,884,378	75,482,129
Total assets	96,637,098	82,208,700
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	2,377,683	2,170,970
Mortgages payable (notes 8 and 9)	353,452	341,974
Convertible debentures payable (note 7)	-	1,346,716
Deferred share unit liabilities (note 19)	37,916	40,832
Liabilities associated with assets held for sale (note 18)	1,146	59,119
Total current liabilities	2,770,197	3,959,611
Non-current liabilities		
Mortgages payable (notes 8 and 9)	17,745,508	18,013,336
Convertible debentures payable (note 7)	9,964,092	-
Deferred tax liability	525,358	525,358
Total non-current liabilities	28,234,958	18,538,694
Total liabilities	31,005,155	22,498,305
Shareholders' Equity		
Share capital (note 10)	82,931,506	82,938,306
Contributed surplus	7,860,488	5,764,738
Equity portion of convertible debentures (note 7)	2,760,839	1,242,017
Accumulated foreign currency translation reserve	3,331,940	3,331,940
Deficit	(31,252,830)	(33,566,606)
Total shareholders' equity	65,631,943	59,710,395
Total liabilities and shareholders' equity	96,637,098	82,208,700

Subsequent Events (note 21)

See accompanying Notes to Condensed Consolidated Interim Financial Statements

(signed) "Geoffrey Bledin"

Geoffrey Bledin

Director

(signed) "Sandy Poklar"

Sandy Poklar

CFO & Director

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Condensed Consolidated Interim Statements of Income and Comprehensive Income

Three and Nine Months Ended September 30, 2019 and 2018

(Expressed in US Dollars)

(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$			\$
Revenue				
Rental	1,085,203	1,022,049	3,228,496	3,072,265
Operating expenses				
Operating costs	254,691	211,391	679,635	577,678
Utilities	93,872	76,452	255,016	234,774
Property taxes	156,304	144,072	473,817	437,413
Total operating expenses	504,867	431,914	1,408,468	1,249,865
Net rental income	580,336	590,135	1,820,028	1,822,401
Income from equity accounted and preferred investments (note 5)	617,416	655,276	1,594,492	3,327,532
Income from preferred capital investments (note 6)	64,634	68,468	172,786	202,475
Expenses:				
General and administrative	294,207	399,864	1,000,594	1,167,243
Professional fees	68,538	44,820	160,760	192,647
Net finance costs	462,399	656,184	996,636	1,703,905
	825,144	1,100,869	2,157,990	3,063,795
Net Income before other income/ (expenses)	437,242	213,010	1,429,316	2,288,613
Other income (expenses)				
Foreign exchange loss	(8,029)	(20,759)	(1,674)	(17,754)
Fair value adjustments of investment properties (note 4)	117,308	895,769	2,315,343	895,769
Share based compensation (notes 11, 12 and 19)	2,625	(15,458)	2,917	(16,042)
Total other income/ (expenses)	111,904	859,552	2,316,586	861,973
Net income from continuing operations before income taxes	549,146	1,072,562	3,745,902	3,150,586
Income tax expense	-	284,229	-	834,905
Net Income from continuing operations	549,146	788,333	3,745,902	2,315,679
Net income/(loss) from discontinued operations (net of income tax expense) (note 20)	(124,985)	893,557	(204,580)	960,521
Net income and comprehensive income	424,161	1,681,890	3,541,322	3,276,200
Basic net income per share				
From continuing operations (note 13)	\$ 0.08	\$ 0.13	\$ 0.54	\$ 0.38
From discontinued operations (note 13)	\$ (0.02)	\$ 0.15	\$ (0.03)	\$ 0.16
	\$ 0.06	\$ 0.28	\$ 0.51	\$ 0.54
Diluted net income per share				
From continuing operations (note 13)	\$ 0.05	\$ 0.11	\$ 0.39	\$ 0.31
From discontinued operations (note 13)	\$ (0.02)	\$ 0.15	\$ (0.03)	\$ 0.16
	\$ 0.03	\$ 0.26	\$ 0.36	\$ 0.47

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Periods Ended September 30, 2019 and 2018

(Expressed in US Dollars)

(Unaudited)

	Share capital	Contributed surplus	Equity portion of convertible debentures	Accumulated foreign currency translation reserve	Deficit	Total
Balance at December 31, 2017	76,842,700	5,100,195	1,242,017	3,331,940	(37,771,759)	48,745,095
Issuance costs (note 10)	(50,779)	-	-	-	-	(50,779)
Net income and comprehensive income for the period	-	-	-	-	3,276,200	3,276,200
Dividends (note 14)	-	-	-	-	(1,034,043)	(1,034,043)
Balance at September 30, 2018	76,791,921	5,100,195	1,242,017	3,331,940	(35,529,597)	50,936,476
Issuance of shares from Equity Offering (note 10(a))	6,211,579	-	-	-	-	6,211,579
Issuance of warrants from Equity Offering (note 10(a) and 12(a)(ii))	-	338,229	-	-	-	338,229
Issuance costs (note 10(a))	(65,194)	-	-	-	-	(65,194)
Issuance of options (notes 11 and 12(b)(i))	-	401,182	-	-	-	401,182
Expiration of options (note 12(b))	-	(74,868)	-	-	-	(74,868)
Net income and comprehensive income for the period	-	-	-	-	2,353,158	2,353,158
Dividends (note 14)	-	-	-	-	(390,164)	(390,164)
Balance at December 31, 2018	82,938,306	5,764,736	1,242,017	3,331,940	(33,566,603)	59,710,396
Normal Course Issuer Bid (note 10(b))	(6,800)	-	-	-	-	(6,800)
Reclassification of equity portion of convertible debentures (note 7(a))	-	1,242,017	(1,242,017)	-	-	-
Equity portion of convertible debentures (note 7(b))	-	-	2,760,839	-	-	2,760,839
Issuance of warrants from Equity Offering (note 10(a) and 12(a)(iii))	-	853,735	-	-	-	853,735
Net Income and comprehensive income for the period	-	-	-	-	3,541,322	3,541,322
Dividends (note 14)	-	-	-	-	(1,227,549)	(1,227,549)
Balance at September 30, 2019	82,931,506	7,860,488	2,760,839	3,331,940	(31,252,830)	65,631,943
Shares Outstanding	6,935,306					

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Condensed Consolidated Interim Statement of Cash Flows
 Three and Nine Months Ended September 30, 2019 and 2018
 (Expressed in US Dollars)
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
	\$	\$	\$	\$
Operating activities				
Net income from continuing operations before income taxes	549,146	1,072,562	3,745,902	3,150,586
Income tax expense	-	284,229	-	834,905
Net Income from continuing operations	549,146	788,333	3,745,902	2,315,679
Net income/(loss) from discontinued operations (net of income tax expense) (note 20)	(124,985)	893,557	(204,580)	960,521
Net income and comprehensive income	424,161	1,681,890	3,541,322	3,276,200
Add (Deduct):				
Depreciation	-	6,203	-	9,922
Accretion expense	108,865	93,459	191,099	230,857
Equity accounted and preferred investments, net of distributions (note 5)	(399,028)	(97,148)	(570,520)	(289,770)
Preferred Capital Investments, net of distributions (note 6)	(914)	(683)	1,191	(8,835)
Fair value adjustments of investment properties (notes 4 and 18)	6,464	(1,853,787)	(2,157,271)	(1,439,904)
Fair value adjustments of equity accounted investments (note 5)	-	(300,000)	-	(2,419,727)
Share based compensation (notes 11, 12 and 19)	(2,625)	15,458	(2,917)	16,042
Deferred tax liability	-	606,394	-	1,181,214
Changes in non-cash operating working capital:				
Accounts receivable	(83,776)	112,054	(59,565)	103,987
Prepaid expenses and other assets	36,303	10,645	172,086	871
Accounts payable and accrued liabilities	422,144	182,627	129,728	(267,975)
Total operating activities	511,594	457,112	1,245,153	392,883
Investing activities				
Proceeds received from redemption of equity accounted and preferred investments (note 5)	-	675,000	-	675,000
Proceeds received from redemption of preferred capital investments	-	520,833	-	520,833
Investments in equity accounted and preferred investments (note 5)	(3,761,667)		(6,084,752)	(8,271,000)
Investments in Preferred capital investments (note 6)	-		(208,333)	-
Capital expenditures on investment properties (note 4)	(77,707)	(83,579)	(224,492)	(370,490)
Proceeds from disposition of assets held for sale (note 18)	297,636	4,285,524	2,622,498	8,325,478
Total investing activities	(3,541,738)	5,397,778	(3,895,080)	879,821
Financing activities				
Proceeds from convertible debenture and warrants issuances net of issuance costs (note 10)	13,469,800	(10,184)	13,469,800	(50,779)
Normal Course Issuer bid (note 10(b))		-	(6,800)	-
Cash dividends paid (note 14)	(409,183)	(344,681)	(1,208,534)	(1,034,043)
Repayment of convertible debentures (note 7)	-	(1,338,000)	(1,428,950)	(5,634,000)
Mortgages, advances (notes 8 and 9)	-	4,100,000	1,060,000	8,050,000
Repayment of mortgages (notes 8 and 9)	(439,562)	(7,753,106)	(1,316,350)	(7,905,296)
Total financing activities	12,621,055	(5,345,971)	10,569,166	(6,574,118)
Increase in cash and cash equivalents and restricted cash	9,590,911	508,919	7,919,239	(5,301,414)
Cash and cash equivalents and restricted cash, beginning of period	1,333,934	2,296,202	3,005,606	8,106,535
Cash and cash equivalents and restricted cash, end of period	10,924,845	2,805,121	10,924,845	2,805,121
Consisting of:				
Cash and cash equivalents	9,995,661	1,876,126	9,995,661	1,876,126
Restricted cash	929,184	928,995	929,184	928,995

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

1. Nature of operations

Firm Capital American Realty Partners Corp. (the “**Company**”) was incorporated under the Business Corporations Act (Ontario) on March 19, 2007. The Company trades on the TSX Venture Exchange (“**TSXV**”) under the trading symbols “FCA.U” and “FCA”. The address of the Company’s registered office is 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5.

The Company is focused on the following investment platforms:

Income Producing Real Estate Investments: Acquiring income producing real estate assets in major cities across the United States. Acquisitions are completed solely by the Company or in joint-venture partnerships with local industry expert partners who retain property management; and

Mortgage Debt Investments: Real estate debt and equity lending platform in major cities across the United States. Focused on providing all forms of bridge mortgage loans and equity accounted and preferred investments.

The financial statements were approved and authorized for issue by the Board of Directors on November 20, 2019.

2. Basis of preparation

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting (“IAS 34”) as issued by the IASB and, except as described in Note 3(a) and follow the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended December 31, 2018. These condensed consolidated interim financial statements do not contain all disclosures required by IFRS and accordingly should be read in conjunction with the 2018 audited annual consolidated financial statements and the notes thereto.

3. Accounting policy changes

(a) *Future changes in accounting policies*

Amendments to IFRS 3, Business Combinations (“IFRS 3”). The IASB published amendments to IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendments clarify the definition of a business, as well as provide additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted. The Company intends to adopt the amendments to IFRS 3 on the required effective date of January 1, 2020.

(b) *New changes in accounting policies*

IFRS 16 - Leases (“IFRS 16”). IFRS 16 supersedes IAS 17 Leases (“IAS 17”), IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the condensed consolidated interim financial

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

statements with a “right of use” asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements. The effective date for IFRS 16 was January 1, 2019. Based on an assessment of the IFRS 16, the Company did not experience a significant impact on its condensed consolidated interim financial statements since the Company is the lessor, and not the lessee, in virtually all instances.

4. Investment properties

	September 30, 2019	December 31, 2018
	\$	\$
Balance, beginning of period	44,783,595	42,651,982
Building improvements	224,492	390,039
Fair value adjustments to investment properties	2,315,343	1,741,574
Balance, end of period	47,323,430	44,783,595

The investment properties as at September 30, 2019 consist of 311 multi-family apartment units in three buildings located in Florida and Texas.

The Company determined the fair value of the investment properties using a combination of an internally managed valuation model and property appraisals. The key valuation assumptions for the properties are set out in the following table:

	September 30, 2019	December 31, 2018
Key Assumptions		
Capitalization rate	4.85%-4.95%	5.00%
Occupancy rate	95% - 97%	95% - 97%
Weighted average net rental income	\$ 1,029,513	\$ 925,264

The fair values of the Company’s investment properties are sensitive to changes in key valuation assumptions. Changes in capitalization rates would result in a change in fair value of the Company’s investment properties as set out in the following table:

	September 30, 2019
	\$
Capitalization rate increase by 25 basis points	(2,343,000)
Capitalization rate decrease by 25 basis points	2,596,000

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

5. Equity accounted and preferred investments

The Company has invested in the following equity accounted and preferred investments.

(In \$millions unless otherwise stated).

Location	Units	Investment		Pro-Rata Ownership of Investment		Preferred Investment	Common Investment	Total Investment	Preferred Yield
		Properties (A)	Ownership % (B)	Properties (A*B)					
New York City	129	\$ 38.6	22.8%	\$ 8.8		\$ 5.1	\$ 1.3	\$ 6.4	8%
Brentwood, MD	118	15.0	25.0%	3.7		-	1.3	1.3	-
Bridgeport, CT	462	39.3	30.0%	11.8		2.8	3.3	6.1	9%
Irvington, NJ	189	19.0	50.0%	9.5		2.6	1.1	3.7	9%
Houston, TX	235	16.8	50.0%	8.4		3.6	1.4	5.0	9%
Bronx, NY	132	25.4	50.0%	12.7		5.2	2.1	7.3	8%
Hartford, CT	109	13.2	50.0%	6.6		0.8	1.3	2.0	8%
Canton, GA	138	18.9	50.0%	9.4		2.1	1.6	3.7	8%
Total/ Wtd. Avg.	1,512	\$ 186.1	38.1%	\$ 71.0		\$ 22.2	\$ 13.2	\$ 35.4	8.4%

The Company has significant influence over these equity accounted and preferred investments as further outlined below:

New York City: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 14.6% of the preferred equity and 7.3% of the common equity;

Brentwood, Maryland: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 20.0% of the common equity; and

Bridgeport, Connecticut: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 18.0% of the preferred equity and 9.0% of the common equity.

Outlined below are the details of the Company's net investment in the equity accounted and preferred investment comprised of common interests, accounted for using the equity method and preferred interests, accounted as preferred capital loans, along with the balance sheet and statement of income (each at 100% of the equity accounted and preferred investment) and income allocation from the equity accounted and preferred investments for the period ended September 30, 2019 with comparable figures for the periods ended December 31, 2018 and September 30, 2018:

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

Equity Accounted and Preferred Investments, December 31, 2017	\$12,694,453
Investments	
- Preferred Equity	6,078,000
- Common Equity	2,190,000
- Redemption of Preferred Equity	(675,000)
Income Earned	
- Preferred Equity	933,554
- Common Equity	(24,250)
- Fair Value Adjustments	2,419,727
Less: Distributions Received	(617,219)
Equity Accounted and Preferred Investments, September 30, 2018	\$22,999,267
Investments	
- Preferred Equity	4,756,248
- Common Equity	2,313,500
- Redemption of Preferred Equity	(1,102,188)
Income Earned	
- Preferred Equity	298,166
- Common Equity	(84,428)
- Fair Value Adjustments	322,526
Less: Distributions Received	(804,910)
Equity Accounted and Preferred Investments, December 31, 2018	\$28,698,180
Investments	
- Preferred Equity	3,234,667
- Common Equity	2,850,085
Income Earned	
- Preferred Equity	1,216,681
- Common Equity	377,811
Less: Distributions Received	(1,023,972)
Equity Accounted and Preferred Investments, September 30, 2019	\$35,353,452

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

	September 30, 2019		December 31, 2018					
Assets								
Cash	\$	3,149,063	\$	4,437,769				
Accounts Receivable		407,781		250,513				
Other Assets		2,066,239		2,971,330				
Investment Properties		186,122,601		151,062,573				
	\$	191,745,685	\$	158,722,185				
Liabilities								
Accounts Payable	\$	1,473,620	\$	1,360,264				
Security Deposits		1,095,441		1,023,323				
Mortgages		126,563,055		102,960,000				
	\$	129,132,116	\$	105,343,587				
Equity								
Retained Earnings	\$	7,229,236	\$	6,398,977				
Preferred Equity		29,835,189		26,055,870				
Common Equity		25,549,143		20,923,751				
	\$	62,613,569	\$	53,378,597				
	\$	191,745,685	\$	158,722,185				
Investment Allocation for the Company								
Preferred Equity	\$	22,156,512	\$	18,568,745				
Common Equity		13,196,940		10,129,435				
	\$	35,353,452	\$	28,698,180				
		Three Months Ended		Nine Months Ended				
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018			
Net Income								
Rental Revenue	\$	4,225,703	\$	3,103,853	\$	11,948,702	\$	8,359,536
Property Operating Expenses		(1,922,804)		(1,511,446)		(5,509,184)		(4,431,852)
Net Rental Income		2,302,899		1,592,406		6,439,518		3,927,684
General & Administrative		(112,136)		(97,382)		(561,914)		(384,620)
Interest Expense		(1,248,412)		(950,348)		(3,568,539)		(2,480,475)
Fair Value Adjustments		-		1,200,000		-		8,627,876
Net Income Before Preferred Equity Dividend	\$	942,352	\$	1,744,676	\$	2,309,065	\$	9,690,464
Less: Preferred Equity Dividend		(568,754)		(487,234)		(1,584,349)		(1,457,837)
Net Income	\$	373,598	\$	1,257,442	\$	724,717	\$	8,232,627
Income Earned by the Company								
Preferred Equity	\$	415,553	\$	325,791	\$	1,216,680	\$	933,554
Common Equity		201,863		329,485		377,811		2,393,978
	\$	617,416	\$	655,276	\$	1,594,490	\$	3,327,532

On December 24, 2018, the Company closed an Equity Accounted and Preferred Investment to acquire three multi-family buildings comprised of 132 residential units (“the Tinton Portfolio”). The purchase price for 100% of the Tinton Portfolio was approximately \$25.0 million. The Company invested approximately \$6.7 million through a combination of preferred equity (\$4.8 million), which represents 100% of the preferred equity and common equity (\$1.9 million), which represents a 50% ownership interest. The preferred equity has a fixed rate of return of 8% per annum.

On April 4, 2019, the Company closed an equity accounted and preferred investment to acquire a 109 unit multi-family residential portfolio comprised of two buildings located in Hartford, CT (the “Hartford Portfolio”). The purchase price of the Hartford Portfolio was \$13.0 million (including transaction costs). The acquisition was financed with a \$10.0 million 4.81% first mortgage due April 3, 2039 and \$3.0 million of equity. The Company contributed \$0.6 million (100% ownership) of preferred equity yielding 8% and \$1.2 million of common equity, representing a 50% ownership stake in the investment.

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

On September 27, 2019, the Company closed an equity accounted and preferred investment to acquire a 138 unit multi-family residential building located in Canton, GA (the "Canton Acquisition"). The purchase price for 100% of the Canton Acquisition was \$19.3 million (including transaction costs). The Canton Acquisition was financed, in part with a \$14.0 million, 4.0% first mortgage due on September 26, 2029. The Company contributed \$2.1 million (100% ownership) of preferred equity yielding 8% and \$1.6 million of common equity representing a 50% ownership stake in the investment.

6. Preferred capital investments

On December 18, 2017, the Company closed a participation of \$2.5 million in a \$12.0 million preferred capital loan (the "Preferred Capital") to fund the acquisition of a portfolio of three apartment buildings located in New York, New York. The Preferred Capital earns an interest rate of 12% per annum during its initial term of three years and, if the term is extended for a further two years, at an interest rate thereafter that is the greater of 13% or London Interbank Offered Rate ("LIBOR") plus 10% per annum. The investment is interest only and may be repaid prior to maturity in whole or in part upon 30 days prior written notice.

On September 24, 2018, \$2.5 million of the Preferred Capital was repaid leaving a principal balance of \$9.5 million. Subsequently, on June 5, 2019, an additional \$1.0 million was advanced leaving a total principal balance of \$10.5 million. As of September 30, 2019, the Company's pro-rata principal balance was \$2.2 million.

7. Convertible debentures payable

(a) The Company had 7.0% unsecured subordinated convertible debentures (the "Previous Debentures"). The principal balance of the Previous Debentures as at December 31, 2018 was \$1.3 million and had the ability to be converted into common shares of the Company at \$33.82 per common share. The maturity date on the Previous Debentures was July 31, 2019. During the nine months ended September 30, 2019, the Previous Debentures were fully repaid and discharged.

(b) On August 8, 2019, the Company closed a \$13.7 million (CAD \$18.1 million based on the Bank of Canada daily noon rate of exchange \$1.3257), 6.25% convertible unsecured unsubordinated debenture (the "Convertible Debenture") offering. On August 13, 2019, the Company closed an additional \$1.0 million (CAD \$1.3 million based on the Bank of Canada daily noon rate of exchange of \$1.3236) of the Convertible Debenture. The Convertible Debenture has a term to maturity of seven years and is due on June 30, 2026. The Convertible Debenture can be converted into common shares of the Company at an exercise price of CAD \$12.60 per common share (the "Conversion Option") at any time prior to June 30, 2026. Each Convertible Debenture also consists of 79 common share purchase warrants (the "Warrants") of the Company. The warrants are exercisable at an exercise price of CAD \$12.60 per common share for a period of two years expiring on August 7, 2021.

As at September 30, 2019, the liability portion of the Convertible Debentures was recorded at amortized cost (net of deferred financing costs), translated into US Dollars. The equity portion of the Convertible Debentures and Warrants were calculated using the Black-Scholes and Binomial Tree models and are recorded separately in shareholder's equity. The key assumptions used are as follows: CAD\$10.00 stock price; CAD\$12.60 exercise price; expected life ranging from 2.0 to 7.0 years; 27.5% volatility; 1.45% risk free rate; and annual dividends of CAD\$0.3133 per share.

The convertible debentures were allocated into liability and equity components on the date of issuance as follows:

Liability	\$	11,152,915
Equity		2,760,839
Warrants		853,735
Total	\$	14,767,489

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements
 (Expressed in US Dollars unless otherwise noted)
 For the three and nine months ended September 30, 2019 and 2018
 (Unaudited)

8. Mortgages payable

	September 30, 2019	December 31, 2018
	\$	\$
Mortgages payable	\$ 18,098,960	\$ 18,355,310
Less: current portion	(353,452)	(341,974)
	<u>\$ 17,745,508</u>	<u>\$ 18,013,336</u>

As at September 30, 2019 the Company had mortgages payable secured by the multi-family properties of \$18,098,960 (including the current portion and net of unamortized financing costs) (December 31, 2018-\$18,355,310) which bear interest at a weighted average interest rate of 4.37% (September 30, 2018- 4.42%) per annum, and have maturity dates ranging between March 2020 and June 2023.

The following annual payments of principal and interest are required over the next five years in respect of these mortgages:

	\$
2019	287,598
2020	1,150,389
2021	1,150,389
2022	11,886,768
2023	6,195,246
Total	<u>20,670,389</u>

On April 3, 2019, the Company entered into a promissory note with the Firm Capital Corporation. The promissory note had a one year term, was originally \$1.1 million, and an 8.5% interest rate, interest only. The Company agreed to repay the promissory note from net proceeds received from single family homes located in Atlanta, Georgia. During the nine months ended September 30, 2019, the Company repaid this promissory note in full.

9. Changes in net debt

The following table sets out an analysis of the movements in net debt for the period ended September 30, 2019:

	Cash & Cash Equivalents	Mortgages	Convertible Debentures	Net Debt
	\$	\$	\$	\$
As at December 31, 2018	3,005,606	(18,355,310)	(1,346,716)	(16,696,421)
Cash Flows	7,676,990	256,350	(12,040,850)	(4,107,510)
Non Cash Changes	242,249	-	3,423,474	3,665,723
As at September 30, 2019	<u>10,924,845</u>	<u>(18,098,960)</u>	<u>(9,964,092)</u>	<u>(17,138,207)</u>

10. Share capital

The Company is authorized to issue an unlimited number of common shares. The common shares are voting and entitle the holder to dividends as and when declared by the board of directors of the Company. The following is a summary of changes in common share capital:

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

	Number of shares	Value
Balance at December 31, 2017	6,127,663	76,842,700
Less: Issuance Costs	-	(50,779)
Balance at September 30, 2018	6,127,663	76,791,921
Issuance of shares from equity offering (a)	808,643	6,211,579
Less: Issuance Costs	-	(65,194)
Balance at December 31, 2018	6,936,306	82,938,306
Less: Normal Course Issuer Bid (b)	(1,000)	(6,800)
Balance at September 30, 2019	6,935,306	82,931,506

(a) On November 9, 2018 the Company issued 808,643 common shares at a price of \$8.10 per share for total gross proceeds of approximately \$6.6 million. Net of the value of the warrants as further described in note 12(a)(ii) of these condensed consolidated interim financial statements, the common shares had a value of approximately \$6.2 million.

(b) On January 30, 2019, the Company repurchased 1,000 common shares through a Normal Course Issuer Bid at a price of \$6.80 per share for a total gross proceeds of approximately \$0.007 million.

11. Share-based compensation

The Company has a 10% rolling incentive stock option plan which provides for the issuance of incentive stock options to directors, management, employees and consultants of the Company.

As at September 30, 2019, the Company has 617,138 options issued and outstanding (December 31, 2018 – 686,842) at a \$8.66 weighted average exercise price per share (December 31, 2018 - \$10.30). Further details around the outstanding balances are detailed in note 12(b) of these condensed consolidated interim financial statements.

12. Derivative financial instruments

As at September 30, 2019, the Company's derivative financial instruments consists of options and warrants.

Warrants

(a) A continuity of the warrants reserve is as follows:

	Number of warrants	Warrants reserve	Weighted average exercise price
Balance at December 31, 2017	881,802	573,692	\$ 8.87
Issuance of warrants (note 12(a)(ii))	808,643	338,229	\$ 9.50
Issuance of warrants (note 12(a)(iii))	1,534,812	853,735	CAD \$12.60
Revaluation/expiry of warrants	(31,642)	-	\$ 26.05
Balance at September 30, 2019	3,193,615	1,765,656	\$ 9.40

The warrant reserve was calculated using the Black Scholes model. The key assumptions used in the model were: stock prices ranging from \$6.50 to CAD \$10.00; exercise price ranging from \$8.50 to CAD \$12.60 ; expected life ranging, in years, from 2.0 to 2.7; 27.5% to 30% volatility; risk free rate ranging from 1.45% to 2.36%; and annual dividends of \$0.225 per share.

The Company had the following warrants outstanding and exercisable as at September 30, 2019:

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

Issuance Date	Number of warrants	Weighted average exercise price	Expiry Date
May 29, 2017 (note 12 (a)(i))	850,160	\$ 8.50	May 29, 2020
November 9, 2018 (note 12 (a)(ii))	808,643	9.50	November 9, 2020
August 8, 2019 (note 12 (a)(iii))	1,534,812	CAD \$12.60	August 7, 2021
Total/ Weighted Average	3,193,615	\$ 9.40	

- (i) On May 29, 2017, the Company issued 850,160 Warrants to participants in a common share offering that closed on the same day. The Warrants have an exercise price of \$8.50 per warrant and expire on May 29, 2020.
- (ii) On November 9, 2018, the Company issued 808,643 Warrants to participants in the common share offering as described in note 10(a) of these condensed consolidated interim financial statements. The warrants have an exercise price of \$9.50 per warrant and expire on November 9, 2020.
- (iii) On August 8, 2019, the Company issued 1,534,812 Warrants as part of the Convertible Debenture offering as further described in note 7(b) of these condensed consolidated interim financial statements. The warrants have an exercise price of CAD \$12.60 per warrant and expire on August 7, 2021.

Options

- (b) A continuity of the option reserve is as follows:

The option reserve as at September 30, 2019, was calculated on the issuance date using the Black Scholes option-pricing model. The key assumptions used in the model were; stock price ranging from \$6.20 to \$7.30; exercise price ranging from \$7.50 to \$8.30; expected life of approximately 10 years; volatility of 30%; risk free rate ranging from 1.69% to 2.22%; and dividends of \$0.225 per share.

	Number of Options	Options reserve	Weighted average exercise price
Balance at December 31, 2017	507,159	476,615 \$	10.92
Expiry of Options	(138,421)	(74,868) \$	7.50
Issuance of Options (note 12(b)(i))	248,400	401,182 \$	8.30
Balance at September 30, 2019	617,138	802,929 \$	8.66

The Company had the following options outstanding and exercisable on September 30, 2019.

Issuance Date	Number of Options	Weighted average exercise price	Expiry Date
August 17, 2017	368,738	\$ 7.50	August 17, 2027
November 19, 2018 (note 12 (b)(i))	248,400	\$ 8.30	November 19, 2028
Total/ Weighted Average	617,138	\$ 8.66	

- (i) On November 19, 2018, the Company issued 248,400 Options to members of senior management and the board. The Options have an exercise price of \$8.30 per option and expire on November 19, 2028.

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in US Dollars unless otherwise noted)
For the three and nine months ended September 30, 2019 and 2018
(Unaudited)

13. Net income / (loss) per share

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
Continuing Operations:				
Numerator for basic income per share:				
Net Income from continuing operations	549,146	788,333	3,745,902	2,315,679
Denominator for basic income per share:				
Weighted average shares	6,935,306	6,127,666	6,935,416	6,127,666
Basic income per share	\$ 0.08	\$ 0.13	\$ 0.54	\$ 0.38
Discontinued Operations:				
Numerator for basic income per share:				
Net Income from discontinued operations	(124,985)	893,557	(204,580)	960,521
Denominator for basic income per share:				
Weighted average shares	6,935,306	6,127,666	6,935,416	6,127,666
Basic income per share	\$ (0.02)	\$ 0.15	\$ (0.03)	\$ 0.16
	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
Continuing operations:				
Numerator for diluted income per share:				
Net Income from continuing operations	549,146	788,333	3,745,902	2,315,679
Denominator for diluted income per share:				
Weighted average shares- Basic	6,935,306	6,127,666	6,935,416	6,127,666
Warrants	2,574,630	881,802	1,988,412	881,802
Options	617,138	437,455	617,138	437,455
Total Denominator	10,127,074	7,446,923	9,540,966	7,446,923
Diluted income per share	\$ 0.05	\$ 0.11	\$ 0.39	\$ 0.31
Discontinued operations:				
Numerator for diluted income per share:				
Net Income from discontinued operations	(124,985)	893,557	(204,580)	960,521
Denominator for diluted income per share:				
Weighted average shares	6,935,306	6,127,666	6,935,416	6,127,666
Diluted income per share	\$ (0.02)	\$ 0.15	\$ (0.03)	\$ 0.16

14. Dividends

For the three months ended September 30, 2019, the Company declared dividends of \$0.059 per common share resulting in total dividends of \$409,183 (September 30, 2018- \$344,681). For the nine months ended September 30, 2019, the Company declared dividends of \$0.177 per common share resulting in total dividends of \$1,227,549 (September 30, 2018- \$1,034,043).

15. Financial instruments and risk management

Risk management

In the normal course of its business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the market prices and includes foreign currency and interest rate risk.

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

Foreign currency risk

The Company's operations are based principally in the United States of America, but it has exposure to foreign exchange risk from the CAD. Foreign exchange risk arises from the recognized financial assets and liabilities denominated in CAD. As a result of the convertible debenture offering as further described in note 7 (b) of these condensed consolidated interim financial statements, the Company has additional exposure to foreign currency risk as the cash proceeds and interest payments of the debenture are in \$CAD while it invests the net proceeds from the convertible debenture offering in \$USD. The Company monitors the foreign currency market closely to mitigate these risks. The following CAD amounts are presented in USD to demonstrate the effects of changes in foreign exchange rates:

	CAD
	\$
Cash and other assets	12,706,321
Total Liabilities	(13,497,071)
Total	(790,750)
Effect of +/- 10% change in exchange rate	(79,075)

Interest rate risk

The Company is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. As all mortgages, loans and notes payable bear interest at fixed rates, interest rate risk is limited to potential decreases in the interest rate offered on cash held with chartered Canadian and American financial institutions. The risk also exists of a change in interest rates when the Company is required to renew its debt. The Company's objective of managing interest rate risk is to minimize the volatility of earnings. Interest rate risk has been minimized as mortgages have been financed at fixed interest rates. As a result of debt not being subject to floating interest rates, changes in prevailing interest rates would not be expected to have a material impact on profit or loss.

Credit risk and concentration risk

Credit risk refers to the risk that a tenant, counterparty or borrower will default on its contractual obligations resulting in financial loss to the Company. Financial instruments which are potentially subject to credit risk for the Company consists primarily of non-payment of accounts receivable. The Company mitigates this risk by monitoring the credit worthiness of its tenants and borrowers. To ensure that tenants continue to meet their credit terms, the financial viability of tenants is kept under review. Credit risk, or the risk of a counterparty defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, the Company obtains security deposits as collateral.

The credit risk on cash is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the condensed consolidated interim financial statements, net of any expected credit losses, represents the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Company's strategy is to satisfy its liquidity needs using cash on hand, cash flow generated from operating activities, cash flow provided by financing activities, and divestitures of long term assets.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. The fair values of the Company's cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities are estimated by management to approximate their carrying values due to their short-term nature.

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

The Company classifies its fair value measurements in accordance with the fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table summarizes information about assets measured at fair value on a recurring basis and categorized by level of significance of the inputs used in making the measurements:

September 30, 2019		Level 3
Assets held for sale	\$	305,272
Investment properties		47,323,430

There were no transfers between levels during the period ended September 30, 2019.

December 31, 2018		Level 3
Assets held for sale	\$	3,085,841
Investment properties		44,783,595

16. Capital risk management

The capital of the Company includes equity, which is comprised of issued share capital, contributed surplus, equity portion of convertible debentures, warrants, accumulated foreign currency translation reserve and deficit. The Company's objective when managing its capital is to safeguard the ability to continue as a going concern in order to provide returns for its shareholders, and other stakeholders and to maintain a strong capital base to support the Company's core activities, the acquisition, ownership, management and rental of residential real estate properties as discussed in note 1 of these condensed consolidated interim financial statements.

Although the Company is not subject to any formal covenants, there are certain restrictions under the different debts and mortgages that the Company must target to stay in compliance. The Company monitors these different debts and mortgages and was in compliance throughout the three and nine months ended September 30, 2019.

17. Related party transactions

(i) On November 1, 2015, the Company entered into a Management Agreement with Firm Capital Realty Partners Advisors Inc. (the "**Manager**"), an entity related to a director of the Company. Under the terms of the Agreement, the Manager provides a number of services to the Company, and is entitled to certain fees payable monthly, as follows:

- Asset Management Fee:** 0.75% of the Gross Invested Assets of the Company,
- Acquisition Fee:**
 - 1.0% of the first \$300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
 - 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.
- Performance Incentive Fees:** 15% of Adjusted Funds from Operation ("AFFO") once AFFO exceeds 8.0% of Net Asset Value ("**NAV**") per share.
- Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.
- Property Management Fees:**
 - Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
 - Multi-unit residential properties with more than 120 units. 3.5% of Gross Revenue collected from the property.

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

- iii. Industrial or commercial property, 4.25% of Gross Revenue are collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property.
- f. **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long-term listing agreement, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property.
- g. **Commercial Leasing Renewal Fees:** Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which are handled exclusively by the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.
- h. **Construction Development Property Management Fees:** Where the Manager is requested by the Company to construct tenant improvements or to renovate same, or where the Manager is requested by the Company to construct, modify, or re-construct improvements to, or on, the Properties (collectively, "**Capital Expenditures**"), the Manager shall receive 5.0% of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process wherein the total cost of such Capital Expenditures exceed \$50,000.
- i. **Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Company's cash balances or Non-Performing Loans held by the Company, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Company's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonoured payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Company.
- j. **Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Company:
 - i. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Company (prorated to reflect the Company's participation in the investment). The Manager will retain 100% of all originating fees, commitment fees, renewal fees and will remit 25% of such fees to the Company calculated on the Company's investment amount; and
 - ii. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Company (with a 8.0% annual preferential return to be given to the Company on the Company's investment amount prior to the Manager receiving its share of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.
- k. **Term and Termination:** Initial term of ten years with automatic renewal for successive five year terms. The Company may terminate the Agreement any time after November 1, 2025 other than for cause upon the approval of two-thirds of the votes cast by shareholders at a meeting and upon 24 months prior written notice. Upon termination, the Company shall pay to the Manager the following:

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

- i. 2% of the Gross Invested Assets of the Properties and the Company's other assets; and
- ii. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "Termination Payment").

For the nine months ended September 30, 2019, the Company has accrued and/or paid approximately \$890,361 (September 30, 2018 - \$693,164) in the form of asset, property, loan servicing, acquisition, placement and construction development property management fees. As at September 30, 2019, the Company has accrued \$707,840 (September 30, 2018 - \$771,872) under this Management Agreement, which is included in accounts payable and accrued liabilities.

On April 3, 2019, the Company entered into a promissory note with the Firm Capital Corporation. The promissory note had a one year term, was originally \$1.1 million, and an 8.5% interest rate, interest only. The Company agreed to repay the promissory note from net proceeds received from single family homes located in Atlanta, Georgia. During the nine months ended September 30, 2019, the Company repaid this note in full.

18. Assets held for sale

As at September 30, 2019, the Company had 3 single family homes located in Georgia (December 31, 2018– 31 units). The Company has classified the single family units as held for sale as the Company is actively marketing and intends to sell these properties within one year.

	September 30, 2019	December 31, 2018
	\$	\$
Balance, beginning of period	3,085,841	16,019,657
Building Improvements	-	52,014
Dispositions	(2,622,498)	(13,678,088)
Fair value adjustments to assets held for sale	(158,072)	692,257
Balance, end of period	305,272	3,085,841
Liabilities		
Accounts payable and other liabilities	1,146	59,119
Liabilities related to assets held for sale	1,146	59,119

The net cash flows associated with discontinued operations are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
Operating activities	(13,945)	175,371	(99,379)	649,987
Investing activities	297,636	4,254,964	2,622,499	8,273,586
Net cash inflows	283,691	4,430,335	2,523,119	8,923,573

19. Deferred share units

On March 31, 2015, the Company adopted a deferred share unit ("DSU") plan. Under the terms of the plan, any units issued must be issued at a share price which is a minimum of the volume weighted average trading price of the shares on the TSXV for the five days trading immediately preceding the date on which DSUs are granted. Dividend equivalents are awarded in respect of DSU holders on the same basis as shareholders, and credited to the DSU holders account as additional DSUs. The maximum DSUs which may be awarded under the DSU plan shall not exceed 10% of the issued and outstanding

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

common shares. The DSU plan is designed such that the board may elect to pay out the DSUs in either cash or common shares of the Company.

20. Segmented information

The Company defines its reportable segments based on geographical locations and on asset types including single family buildings, multi-family buildings, equity accounted and preferred investments and corporate. The segmented information based on geographical and asset types are outlined below. Note that the segments of Georgia and New York, Tri State Area combined (excluding income from equity investments and preferred capital investments) and the reportable segment of the single family homes represent the Company's discontinued operations:

Note: *New York Tri State Area defined as New York, New Jersey and Connecticut.

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
Three Month Period Ended September 30, 2019	\$	\$	\$	\$	\$	\$	\$
Rental revenue	12,894	645,174	-	-	440,029	-	1,098,097
Operating costs	(10,917)	(135,333)	-	-	(119,358)	-	(265,608)
Utilities	(433)	(69,071)	-	-	(24,801)	-	(94,305)
Property taxes	(2,757)	(88,957)	-	-	(67,347)	-	(159,061)
Net rental income (loss)	(1,213)	351,813	-	-	228,523	-	579,123
Income from equity accounted and preferred investments	7,400	-	33,026	463,850	113,140	-	617,416
Income from preferred capital investments	-	-	-	64,634	-	-	64,634
General and administrative	-	-	-	-	-	(294,207)	(294,207)
Professional fees	-	-	-	-	-	(68,538)	(68,538)
Finance costs	-	-	-	-	-	(462,399)	(462,399)
Segment income from operations	6,187	351,813	33,026	528,484	341,663	(825,144)	436,029
Foreign exchange gain	-	-	-	-	-	(8,029)	(8,029)
Fair value adjustments of properties	(123,772)	473,394	-	-	(356,086)	-	(6,464)
Share based compensation	-	-	-	-	-	2,625	2,625
Net income (loss) before income taxes	(117,585)	825,207	33,026	528,484	(14,423)	(830,548)	424,161
Income tax (recovery)/expense	-	-	-	-	-	-	-
Net income (loss) for the period	(117,585)	825,207	33,026	528,484	(14,423)	(830,548)	424,161
	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
Three Month Period Ended September 30, 2018	\$	\$	\$	\$	\$	\$	\$
Rental revenue	360,063	574,708	-	11,080	446,760	-	1,392,611
Operating costs	(113,614)	(114,274)	-	(22,521)	(97,234)	-	(347,643)
Utilities	(15,625)	(53,606)	-	21,566	(22,845)	-	(70,510)
Property taxes	(24,733)	(84,195)	-	(7,052)	(59,877)	-	(175,856)
Net rental income	206,092	322,632	-	3,073	266,804	-	798,602
Income from equity investments	-	-	317,019	243,283	94,974	-	655,276
Income from preferred capital investments	-	-	-	68,468	-	-	68,468
General and administrative	-	-	-	-	-	(399,864)	(399,864)
Professional fees	-	-	-	-	-	(44,820)	(44,820)
Finance costs	-	-	-	-	-	(656,184)	(656,184)
Segment income (loss) from operations	206,092	322,632	317,019	314,824	361,778	(1,100,868)	421,477
Foreign exchange gain	-	-	-	-	-	(20,759)	(20,759)
Fair value adjustments of properties	1,091,388	895,769	-	(84,133)	-	-	1,903,024
Share based compensation	-	-	-	-	-	(15,458)	(15,458)
Net income (loss) before income taxes	1,297,480	1,218,401	317,019	230,691	361,778	(1,137,085)	2,288,284
Income tax (recovery)/expense	343,832	322,876	84,010	61,133	95,871	(301,328)	606,394
Net income (loss) for the period	953,648	895,525	233,009	169,558	265,907	(835,757)	1,681,890

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
Nine Month Period Ended September 30, 2019	\$	\$	\$	\$	\$	\$	\$
Rental revenue	70,254	1,907,047	-	-	1,321,449	-	3,298,750
Operating costs	(35,129)	(368,756)	-	-	(310,879)	-	(714,764)
Utilities	(33,077)	(190,326)	-	-	(64,690)	-	(288,093)
Property taxes	(48,556)	(270,718)	-	-	(203,099)	-	(522,373)
Net rental income (loss)	(46,508)	1,077,247	-	-	742,781	-	1,773,520
Income from equity accounted and preferred investments	7,400	-	73,657	1,173,772	339,665	-	1,594,492
Income from preferred capital investments	-	-	-	172,786	-	-	172,786
General and administrative	-	-	-	-	-	(1,000,594)	(1,000,594)
Professional fees	-	-	-	-	-	(160,760)	(160,760)
Finance costs	-	-	-	-	-	(996,636)	(996,636)
Segment income from operations	(39,108)	1,077,247	73,657	1,346,558	1,082,446	(2,157,991)	1,382,808
Foreign exchange gain	-	-	-	-	-	(1,674)	(1,674)
Fair value adjustments of properties	(158,071)	2,535,323	-	-	(219,979)	-	2,157,272
Share based compensation	-	-	-	-	-	2,917	2,917
Net income (loss) before income taxes	(197,179)	3,612,570	73,657	1,346,558	862,467	(2,156,748)	3,541,322
Income tax (recovery)/expense	-	-	-	-	-	-	-
Net income (loss) for the period	(197,179)	3,612,570	73,657	1,346,558	862,467	(2,156,748)	3,541,322

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
Nine Month Period Ended September 30, 2018	\$	\$	\$	\$	\$	\$	\$
Rental revenue	968,063	1,725,857	-	207,674	1,330,861	-	4,232,455
Operating costs	(209,701)	(303,320)	-	6,183	(277,562)	-	(784,400)
Utilities	(26,584)	(170,701)	-	(28,442)	(68,406)	-	(294,133)
Property taxes	(89,359)	(273,950)	-	(74,661)	(180,095)	-	(618,064)
Net rental income	642,420	977,885	-	110,754	804,798	-	2,535,858
Income from equity accounted and preferred investments	-	-	893,398	2,237,664	196,470	-	3,327,532
Income from preferred capital investments	-	-	-	202,475	-	-	202,475
General and administrative	-	-	-	-	-	(1,167,243)	(1,167,243)
Professional fees	-	-	-	-	-	(192,647)	(192,647)
Finance costs	-	-	-	-	-	(1,703,905)	(1,703,905)
Segment income (loss) from operations	642,420	977,885	893,398	2,550,893	1,001,268	(3,063,795)	3,002,070
Foreign exchange gain	-	-	-	-	-	(17,754)	(17,754)
Fair value adjustments of properties	895,708	895,769	-	(302,336)	-	-	1,489,141
Share based compensation	-	-	-	-	-	(16,042)	(16,042)
Net income (loss) before income taxes	1,538,128	1,873,654	893,398	2,248,557	1,001,268	(3,097,591)	4,457,414
Income tax (recovery)/expense	407,604	496,518	236,751	595,868	265,336	(820,863)	1,181,214
Net income (loss) for the period	1,130,524	1,377,136	656,647	1,652,689	735,932	(2,276,728)	3,276,200

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
As at September 30, 2019							
Total current assets	519,879	1,074,042	-	-	468,652	9,690,147	11,752,720
Total non-current assets	3,668,338	27,868,129	1,272,509	27,658,318	24,417,084	-	84,884,378
Total liabilities	(1,146)	(12,032,830)	-	-	(6,884,663)	(12,086,516)	(31,005,155)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
As at December 31, 2018							
Total current assets	3,474,584	1,031,807	-	-	529,432	1,690,747	6,726,571
Total non-current assets	-	25,203,875	1,235,714	24,593,852	24,448,688	-	75,482,129
Total liabilities	(59,120)	(11,927,180)	-	-	(7,046,277)	(3,465,728)	(22,498,305)

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and Preferred Investments	Corporate	Total
Three Month Period Ended September 30, 2019						
	\$	\$	\$	\$	\$	\$
Rental revenue	12,894	1,085,204	-	-	-	1,098,098
Operating costs	(10,917)	(254,691)	-	-	-	(265,608)
Utilities	(433)	(93,872)	-	-	-	(94,305)
Property taxes	(2,757)	(156,304)	-	-	-	(159,061)
Net rental income (loss)	(1,213)	580,337	-	-	-	579,124
Income from equity accounted and preferred investments	-	-	-	617,416	-	617,416
Income from preferred capital investments	-	-	64,634	-	-	64,634
General and administrative	-	-	-	-	(294,207)	(294,207)
Professional fees	-	-	-	-	(68,538)	(68,538)
Finance costs	-	-	-	-	(462,399)	(462,399)
Segment income from operations	(1,213)	580,337	64,634	617,416	(825,144)	436,030
Foreign exchange gain	-	-	-	-	(8,029)	(8,029)
Fair value adjustments of properties	(123,772)	117,308	-	-	-	(6,465)
Share based compensation	-	-	-	-	2,625	2,625
Net income (loss) before income taxes	(124,985)	697,645	64,634	617,416	(830,548)	424,161
Income tax (recovery)/expense	-	-	-	-	-	-
Net income (loss) for the period	(124,985)	697,645	64,634	617,416	(830,548)	424,161
Three Month Period Ended September 30, 2018						
	\$	\$	\$	\$	\$	\$
Rental revenue	370,562	1,022,049	-	-	-	1,392,611
Operating costs	(136,252)	(211,391)	-	-	-	(347,643)
Utilities	5,942	(76,452)	-	-	-	(70,510)
Property taxes	(31,784)	(144,072)	-	-	-	(175,856)
Net rental income	208,467	590,135	-	-	-	798,602
Income from equity accounted and preferred investments	-	-	-	655,276	-	655,276
Income from preferred capital investments	-	-	68,468	-	-	68,468
General and administrative	-	-	-	-	(399,864)	(399,864)
Professional fees	-	-	-	-	(44,820)	(44,820)
Finance costs	-	-	-	-	(656,184)	(656,184)
Segment income (loss) from operations	208,467	590,135	68,468	655,276	(1,100,869)	421,477
Foreign exchange gain	-	-	-	-	(20,759)	(20,759)
Fair value adjustments of properties	1,007,255	895,769	-	-	-	1,903,024
Share based compensation	-	-	-	-	(15,458)	(15,458)
Net income (loss) before income taxes	1,215,723	1,485,904	68,468	655,276	(1,137,086)	2,288,284
Income tax (recovery)/expense	322,165	393,764	18,144	173,648	(301,328)	606,394
Net income (loss) for the period	893,557	1,092,139	50,324	481,628	(835,758)	1,681,890

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and Preferred Investments	Corporate	Total
Nine Month Period Ended September 30, 2019	\$	\$	\$	\$	\$	\$
Rental revenue	70,254	3,228,496	-	-	-	3,298,750
Operating costs	(35,129)	(679,635)	-	-	-	(714,764)
Utilities	(33,077)	(255,016)	-	-	-	(288,093)
Property taxes	(48,556)	(473,817)	-	-	-	(522,373)
Net rental income	(46,509)	1,820,028	-	-	-	1,773,520
Income from equity investments	-	-	-	1,594,492	-	1,594,492
Income from preferred capital investments	-	-	172,786	-	-	172,786
General and administrative	-	-	-	-	(1,000,594)	(1,000,594)
Professional fees	-	-	-	-	(160,760)	(160,760)
Finance costs	-	-	-	-	(996,636)	(996,636)
Segment income (loss) from operations	(46,509)	1,820,028	172,786	1,594,492	(2,157,991)	1,382,807
Foreign exchange gain	-	-	-	-	(1,674)	(1,674)
Fair value adjustments of properties	(158,071)	2,315,343	-	-	-	2,157,272
Share based compensation	-	-	-	-	2,917	2,917
Net income (loss) before income taxes	(204,580)	4,135,371	172,786	1,594,492	(2,156,748)	3,541,322
Income tax (recovery)/expense	-	-	-	-	-	-
Net income (loss) for the period	(204,580)	4,135,371	172,786	1,594,492	(2,156,748)	3,541,322

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and	Corporate	Total
Nine Month Period Ended September 30, 2018	\$	\$	\$	\$	\$	\$
Rental revenue	1,160,190	3,072,265	-	-	-	4,232,455
Operating costs	(206,722)	(577,678)	-	-	-	(784,400)
Utilities	(59,359)	(234,774)	-	-	-	(294,133)
Property taxes	(180,651)	(437,413)	-	-	-	(618,064)
Net rental income	713,457	1,822,401	-	-	-	2,535,858
Income from equity accounted and preferred investments	-	-	-	3,327,532	-	3,327,532
Income from preferred capital investments	-	-	202,475	-	-	202,475
General and administrative	-	-	-	-	(1,167,243)	(1,167,243)
Professional fees	-	-	-	-	(192,647)	(192,647)
Finance costs	-	-	-	-	(1,703,906)	(1,703,906)
Segment income (loss) from operations	713,457	1,822,401	202,475	3,327,532	(3,063,797)	3,002,070
Foreign exchange gain	-	-	-	-	(17,754)	(17,754)
Fair value adjustments of properties	593,371	895,769	-	-	-	1,489,140
Share based compensation	-	-	-	-	(16,042)	(16,042)
Net income (loss) before income taxes	1,306,829	2,718,169	202,475	3,327,532	(3,097,593)	4,457,414
Income tax (recovery)/expense	346,312	720,315	53,656	881,796	(820,862)	1,181,214
Net income (loss) for the period	960,518	1,997,855	148,819	2,445,736	(2,276,731)	3,276,200

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and Preferred	Corporate	Total
As at September 30, 2019						
Total current assets	519,879	1,542,698	-	-	9,690,147	11,752,720
Total non-current assets	-	47,323,430	2,207,496	35,353,452	-	84,884,378
Total liabilities	(1,146)	(18,917,493)	-	-	(12,086,516)	(31,005,155)

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and Preferred Investments	Corporate	Total
As at December 31, 2018						
Total current assets	3,474,584	1,561,244	-	-	1,690,747	6,726,571
Total non-current assets	-	44,783,595	2,000,354	28,698,180	-	75,482,129
Total liabilities	(59,120)	(18,973,457)	-	-	(3,465,728)	(22,498,305)

21. Subsequent events

i. Single Family Home Sales

Subsequent to September 30, 2019, the Company closed on the sale of two single-family properties located in Atlanta for gross proceeds of approximately \$0.2 million (net proceeds of approximately \$0.2 million).

ii. Conversion to Investment Trust

On November 4, 2019, the Company announced that its Board of Directors approved the conversion of the Company into an Investment Trust. The Company will hold a special meeting of shareholders on December 12, 2019 (the "Special Meeting") at which the shareholders will be asked to approve a special resolution authorizing the company to complete the conversion into an Investment Trust.

iii. Houston, TX Preferred Capital Investment

On November 15, 2019, the Company closed on a participation of \$3.0 million in a \$10.0 million preferred capital investment (the "Preferred Capital") for a portfolio of five apartment buildings located in Houston, Texas. The Preferred Capital earns an interest rate of 12% per annum during its initial term of two years, following which if the term is extended, at an interest rate of 18% per annum.